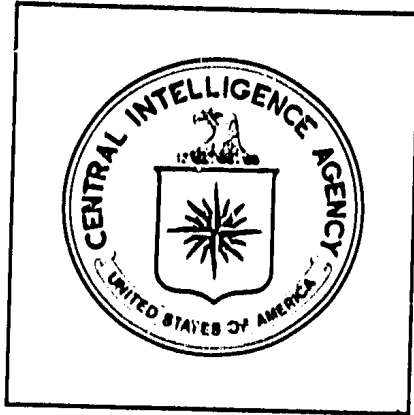


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## STAFF NOTES:

# Soviet Union Eastern Europe

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**SOVIET UNION - EASTERN EUROPE**

This publication is prepared for regional specialists in the Washington community by the USSR - Eastern Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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### Bulgaria-Turkey: A Balancing Act with Economic Problems

Bulgarian leader Zhivkov and Turkish President Demirel made some progress toward resolution of border transit and economic problems during their talks on July 20.

Sofia, which has tried not to take sides in the Cyprus dispute, was also anxious--as was Ankara --to use the Turkish-Bulgarian summit to balance the impact of the recent visit by Greek Prime Minister Karamanlis [redacted] Zhivkov's efforts to convince Demirel that Sofia was not tilting toward Athens, however, were apparently not successful. The terse communique summing up the talks stated only that the two leaders had briefed each other on their respective positions on Cyprus.

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Although the visit ostensibly celebrated the linking of the electric power grids of the two countries, it was apparently hastily elevated into a summit at Sofia's insistence. The last-minute change may have contributed to the light coverage in the Bulgarian news media.

The main focus of the talks was evidently on economics. The Turkish ambassador in Sofia remarked that Zhivkov had "one major concern"--to persuade the Turks to remove bottlenecks hindering transit traffic from Bulgaria into Turkey. Congestion at the border crossing point has been endemic, but it has lately become so bad that Bulgarian Transportation Minister Tsanov remarked that he would be "fired within one week" if the situation did not improve. The Turkish ambassador acknowledged that his country's limited rail capacity has contributed to a backlog of several thousand freight cars from the East European countries.

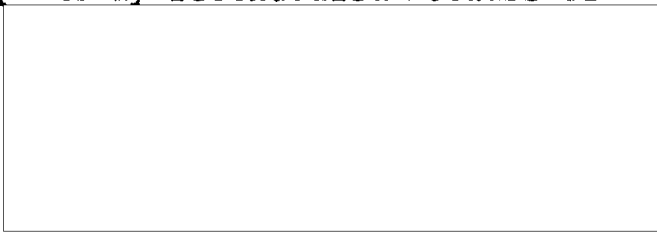
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If the problems persist, Bulgaria--astride a major land transit route to the Middle Eastern petrodollar countries--could lose large sums of hard currency. In addition, Sofia reportedly is under heavy pressure from some of its CEMA partners--notably the East Germans and the Romanians--to improve the situation. Bucharest has allegedly complained that Sofia gives preference to its own exports to the Middle East at the expense of Romanian products.

The coast now seems clear for Bulgarian Foreign Minister Mladenov--originally scheduled to visit Ankara at the end of July--to visit Turkey, perhaps as early as next month. Sofia had applied considerable pressure to get approval for the visit, but it was reportedly rescheduled because of the Helsinki summit.



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### Soviet Industry at Midyear

Soviet industrial production in the first half of this year grew 5.8 percent. Over the comparable period last year, the increase was 6.9 percent.

All consumer-oriented branches matched or exceeded last year's growth rates except processed food production, where unfavorable weather reduced raw material supplies. There was a steady growth in livestock herds; meat production was particularly impressive with a 7 percent growth since it followed on the heels of 1974's unprecedented 14 percent increase, but we do have a few reports of local meat shortages. The decline in butter and vegetable oil production from last year's record levels has not yet led to retail shortages, but the supply situation could deteriorate if neither of these products reaches last year's production levels.

The 5.5-percent increase in consumer durables production--although slower than the industrial average--is a major improvement over last year's 3.5 percent midyear growth. Television sets (9 percent), furniture (8 percent), and washing machines (7 percent) were the star performers. Production of all the items in our consumer durables sample accelerated except radios, phonographs, and bicycles. Demand for these goods should remain strong as families move into new apartments; an unprecedented 600,000 apartments have been constructed so far this year. Soft goods continue to grow at the torpid 2.5 percent rate achieved last year.

The decline in the industrial growth rate reflects the sag in producer durables. The growth rate of nearly every product in this group decreased relative to last year, with the most

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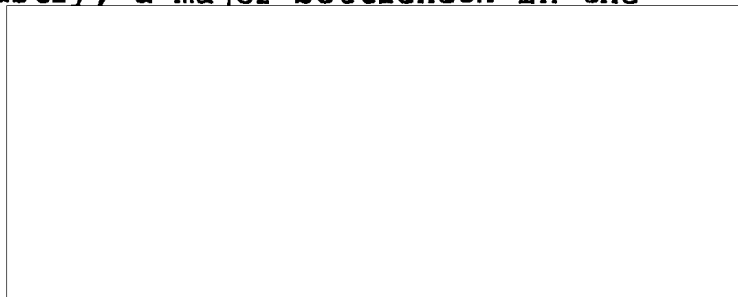
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visible drops in cars, instruments, forge presses, and oil equipment. Apart from oil equipment, these declines result from achieving growth rates in 1974 that could not be sustained. The volume of oil equipment, diesel locomotives, and freight cars produced actually declined.

Growth in the materials sector edged up this year in every group except electricity and coal. This improvement is especially important to the construction industry, a major bottleneck in the Soviet economy.

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